

**EKURHULENI METROPOLITAN MUNICIPALITY  
SPECIAL COUNCIL MEETING**

**2016.04.28**

**ITEM A-F (32a-2016)**

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**BRAKPAN BUS COMPANY: REVIEWED INTEGRATED DEVELOPMENT PLAN  
AND MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF):  
2016/2017 TO 2018/2019**

**PURPOSE**

To submit Brakpan Bus Company's Reviewed Integrated Development Plan and the Medium-term Revenue and Expenditure Framework for the 2016/2017 to 2018/2019 financial period.

**STRATEGIC OBJECTIVE**

Promoting good governance

**WARDS AFFECTED**

All wards

**IDP LINKAGE**

Financial Reporting

**BACKGROUND**

**Section 16 of the MFMA dealing with the tabling of annual budgets, inter alia, reads as follows:**

- 1) *The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.*
- 2) *In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.*
- 3) *Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.*

**Section 24 of the MFMA dealing with the approval of annual budgets and, inter alia, reads as follows:**

- 1) *The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.*
- 2) *An annual budget-*
  - a) *must be approved before the start of the budget year;*

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- b) *is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and*
  - c) *must be approved together with the adoption of resolutions as may be necessary-*
    - i. *imposing any municipal tax for the budget year;*
    - ii. *setting any municipal tariffs for the budget year;*
    - iii. *approving measurable performance objectives for revenue from each source and for each vote in the budget;*
    - iv. *approving any changes to the municipality's integrated development plan; and*
    - v. *approving any changes to the municipality's budget related policies.*

- 3) *The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.*

The draft IDP and Budget was tabled to Council on the 25<sup>th</sup> February 2016 as required by section 16 of the Municipal Finance Management Act. The intention of the tabled budget was for Council to note the draft budget for the public consultation process to be embarked upon.

The budget attached to this report was reviewed by the Budget Steering Committee.

## **PROCESS FOLLOWED**

### **Background**

The key deadlines for the compilation of the IDP and Medium Term Revenue and Expenditure Framework (MTREF, or Budget) was submitted to Council for approval during August 2015 as required by section 21(b) of the MFMA. In terms of the approved key deadlines, the Skeleton IDP and Budget must be submitted to Council at the end of January 2016 and tabled to Council at the end of March 2016.

In December 2015 National Treasury issued MFMA Budget Circular No 78 dated 8 December 2015. It should be noted that the date of the municipal elections were not announced at the time when the circular was issued. In fact, there was still a debate that elections could take place in May 2016. Based on the uncertainty municipalities were advised by National Treasury to approve the final budgets in April 2016 and not May 2016.

Based on the guidance of the circular, Council approved a revised schedule of key deadlines on 28 January 2016 for the tabling of the budget in February 2016 and approval of the budget to be in April 2016.

This resulted therein that the public participation process as well as the oversight committee meetings had to take place during March 2016.

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**IBALCO Meetings**

The IDP, Budget, Assets and Liabilities Committee (IBALCO) has been set up as a sub-committee of the City Manager's Strategic Management Team (SMT) process. This committee is tasked with the technical evaluation of departmental budget requests. Meetings took place on a regular basis since the initial budget process started to consider all the matters affecting the compilation of the new budget.

IBALCO meetings took place prior to all the Budget Steering Committee meetings in order to review documentation before submission to the Budget Steering Committee.

**Budget Steering Committee**

The Budget Steering Committee has been set up by the Executive Mayor in terms of section 4 of the Municipal Budget and Reporting Regulations.

The Budget Steering Committee is chaired by the MMC Finance, and all the members of Mayoral Committee are invited to the meetings. The Executive Mayor is an ex officio member of the Budget Steering Committee and attended several of these meetings.

The following attachments are provided:

**Annexure A** Brakpan Bus Company **SCHEDULE D**

**DISCUSSION**

**Operating Budget**

The total original Company Net Operating Surplus for 2015/16 was R52 000 and the reallocation remains unchanged. For the multi-year budget of 2016/17, net operating surplus of R4 322 366, R4 152 869 and R3 901 907 for the 2017/18 and 2018/19 financial years respectively will be realised.

**Operating Income**

The total annual average income envisaged will be 25% Million above 15/16 financial year.

- The annual fare increase of 8% will be factored on the special trips and coupons, and the increase will be implemented after purchase of new buses due to community protest based on poor service delivery, the estimated purchase time is September 2016.
- 10% growth from cash card passengers and coupon sales is envisaged, this increase will be realized because of the new eight (8) buses that will be purchased at the first quarter of 2016/17 financial year,
- Growth of special hire trips by 10%,

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- 8% increase of Gauteng Department of Roads and Transport (DoRT) subsidy,
  - BBC will still request the EMM Grant of R5 Million to cover the short fall of the subsidy, and
  - A new stream of revenue will be branding of buses, that is budgeted to R9 million per annum.

**Operating Expenditure**

The total annual average expenses envisaged will be 7.6million above the 15/16 financial year. The four (4) main cost drivers of this increases are interest on a new loan, depreciation of new buses, appointment of new employees and fuel due to operating of the suspended trips

**Interest on loan increase will be as follows;**

- The Interest on loan will move from R187 766 to R1 200 000 due to the new loan of R15 million that the company will obtain for purchasing the new buses.
- Depreciation will move from R1 500 560 to R3 120 560, due to the second trench of buses that will be purchased.
- Employee costs will increase by 2 million due to additional employees and the annual increase.
- Diesel will increase from R6 821 059 to R7 639 586. Given the project of purchasing new buses, even the suspended routes due to shortage of buses will be operated and extra specials trips will be operated too.

**Salaries and Board of Directors remuneration**

- Senior Managers increase will be 6%.
- Board remuneration will increase by 6%.
- All other staff members whose salaries are discussed at bargaining council level is budgeted at 6%.

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OPERATING BUDGET												
Department		DESCRIPTION	F00 R'000 ORG BUDGET	F00 R'000 REA BUDGET	F00 R'000 YEAR TO DATE	F00 R'000 PROJECTED	F01 R'000 2016/17	% B to B	% P to B	% Of Total	F01 R'000 2017/18	F01 R'000 2018/19
▼	▼	▼	▼	▼	▼	▼	▼	▼	▼	▼	▼	▼
BBC		BBC	R	R	R	R	R				R	R
BBC		INCOME										
BBC		NON - EXCHANGE REVENUE										
BBC		Service Charges						0.00%	0.00%	0.00%		
BBC		Interest, Dividends and Rent on Land	(50)	(120)	(75)	(120)	(20)	-83.33%	-83.33%	0.04%	(21)	(22)
BBC		Operational Revenue					(9,000)	100.00%	100.00%	20.04%	(9,000)	(9,000)
BBC		Sales of Goods and Rendering of Services	(28,658)	(28,588)	(12,235)	(28,588)	(30,893)	8.06%	8.06%	68.78%	(32,747)	(34,712)
BBC		SUB TOTAL: EXCHANGE REVENUE	(28,708)	(28,708)	(12,310)	(28,708)	(39,913)	39.03%	39.03%	88.87%	(41,768)	(43,734)
BBC												
BBC		Contra Accounts	(5,000)	(5,000)	(2,083)	(5,000)	(5,000)	0.00%	0.00%	11.13%	(5,000)	(5,000)
BBC		- Cost of Free Basic Services	(5,000)	(5,000)	(2,083)	(5,000)	(5,000)	0.00%	0.00%	11.13%	(5,000)	—
BBC		TOTAL INCOME	(33,708)	(33,708)	(14,393)	(33,708)	(44,913)	33.24%	33.24%	100.00%	(46,768)	(48,734)
BBC												
BBC		EXPENDITURE										
BBC		Employee Related Costs	15,530	15,530	5,549	15,530	16,902	8.84%	8.84%	41.64%	18,663	19,782
BBC		Senior Management	2,603	2,180	1,576	2,180	3,387	55.37%	55.37%	8.34%	4,072	4,357
BBC		- SM - Salaries Allowances & Service Benefits	2,603	2,180	1,576	2,180	3,387	55.37%	55.37%	8.34%	4,072	4,357
BBC		Municipal Staff	12,928	13,350	3,973	13,350	13,516	1.24%	1.24%	33.30%	14,591	15,425
BBC		- MS - Salaries Allowances & Service Benefits	12,928	13,350	3,973	13,350	13,516	1.24%	1.24%	33.30%	14,591	15,425
BBC		Remuneration of Councilors	636	1,941	656	1,941	3,053	57.30%	57.30%	7.52%	3,336	3,536
BBC		- ROC - Allowances & Service Related Benefits	636	1,941	656	1,941	3,053	57.30%	57.30%	7.52%	3,336	3,536
BBC		Operational Cost	15,431	14,299	4,141	14,299	16,107	12.64%	12.64%	39.68%	16,203	17,223
BBC		Interest Dividends and Rent on Land	361	188	78	188	1,200	539.09%	539.09%	2.96%	1,072	936
BBC		Depreciation and Amortisation	1,699	1,699	721	1,699	3,329	95.93%	95.93%	8.20%	3,341	3,355
BBC		TOTAL EXPENDITURE	33,657	33,657	11,145	33,657	40,591	20.60%	20.60%	100.00%	42,615	44,832
BBC		DEFICIT / (SURPLUS)	(52)	(52)	(3,248)	(52)	(4,323)	8290.64%	8290.64%		(4,152)	(3,902)
BBC												
BBC		DEFICIT / (SURPLUS) AFTER GAINS AND LO	(52)	(52)	(3,248)	(52)	(4,323)				(4,152)	(3,902)

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**Capital Budget**

The Company has the following projects in its Capital budget for the multi-year period of 2015/16 to 2017/18 which are amounting to R18 400 000, 00 and are as detailed below:

Department	Project name	Capitalisation investment framework Category	Source of finance	Approved Budget 2015/16	Budget 2016/17 as per 2013/2014 MTREF approval
BBC	IT Equipment	NEW	In house	35,000	40,000
BBC	Furniture & fittings and other assets	NEW	In house	35,000	40,000
BBC	Motor vehicle	NEW	In house	250,000	320,000
BBC	Bus	NEW	In house	-	3,000,000
BBC	Bus	NEW	Loan	-	15,000,000
Total				320,000	18,400,000

**IDP / SDBIP FOR THE 2016/2017 FINANCIAL YEAR**

The SDBIP is attached as **Annexure A Reasons for the changes factored are:**

- To emphasise clean and effective administration
- To strengthen the communication and relations with the Shareholder
- To improve operating efficiency of the buses
- To improve sustainability of the buses
- To improved delivery of bus services within EMM

**KEY PRIORITIES AND FLAGSHIP PROJECTS**

In order to improve on the competitiveness of the company, and improve on income generated, the company will be embarking on the following priority projects:

- Increasing the number of customers transported
- Improve on customer satisfaction levels as areas requiring improvement were identified by Phase 1 of customer survey
- Improve on governance and risk management systems and controls, in order to optimise effectiveness and efficiencies
- Vigorous marketing of Brakpan Bus Company services, and maximise the use of buses on special hire trips

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- Intensify the current use pre paying system that has assisted in improving the collection of revenue and has minimised the time and money spent on disciplinary matters
  - Improve staff morale by implementing the SARPAC comprehensively, offer basic benefits, for example, housing and medical aid, encourage good conduct by incentivising good performance.

**ORGANISATIONAL AND HUMAN RESOURCE IMPLICATIONS**

Strategic key positions were identified, and relevant personnel have been employed, and other positions are still to be addressed.

**FINANCIAL IMPLICATIONS**

- The incentivising of the good performance of the drivers, for example, no incidents or accidents reported will be looked into, which will also assist in improving the staff morale.
- Mechanisms of reducing pilferage was introduced by introducing a perpetual cash card, this has significantly reduced the amount of cash carried by bus drivers on daily basis, and we have further increased the number of selling points by using a mobile ticket selling office.

**LEGAL IMPLICATIONS**

The tabling of the IDP and Budget in April 2016 will ensure compliance with Section 24 of the MFMA.

**COMMUNICATION IMPLICATION**

The delivery and approval of the budget to the community is widely communicated by Marketing and Brand Management Department. The approved document will also be distributed as per the required legislation, which inter alia includes EMM's website.

**OTHER DEPARTMENTS/ BODIES CONSULTED**

**Board of Directors, Department of Finance and of Transport**

**RECOMMENDATION**

**That** the report regarding the planning proposals for the Reviewed Integrated Development Plan and the Medium-term Revenue and Expenditure Framework for the 2016/2017 to 2018/2019 financial period of Brakpan Bus Company **BE APPROVED**.